

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS**

IN RE:)
Application of Daufuskie Island Utility Company, Inc.)
For Approval of a New Schedule of Rates and)
Charges for Water and Sewer Service)

**DIUC’S REPLY TO POAS’ RESPONSE TO
DIUC’S PETITION FOR RECONSIDERATION
OF ORDER ON REHEARING**

Under the guise of responding to DIUC’s Petition for Reconsideration concerning three isolated issues, the POAs have presented this Commission with an untimely and poorly framed attempt to relitigate questions that have already been resolved. Rather than focus on the limited issues at hand, the Response reasserts the same unsubstantiated arguments about Contributions in Aid of Construction (CIAC). Then, in a flourishing conclusion, the Response implores this Commission to abandon the primary focus of ratemaking –the utility’s cost of providing service– and to, instead, decide this case based on an emotional reaction to isolated revenue comparisons that ignore the complexities of running a small utility on isolated island.

Nothing in the POA Response alters the fact that ORS never identified the specific items of plant it alleges compose the \$699,631 worth of exclusions from rate base. While it may be correct, as the Response quotes, that ORS witness Gearheart testified she tested underlying transactions in the DIUC books and records to ensure that the transactions were adequately supported and allowable, that does not mean that the record includes an explanation for the Commission as to which items ORS excluded and why. *See* POA Response at 2 (citing Hearing

Transcript at p. 489, ll. 8-17). Furthermore, that testimony was included on page 2 of Ms. Gearheart's prefiled testimony in response to this question: "Please describe the procedures used to examine the Application of DIUC." Hearing Transcript at 489. This testimony is merely a summary of the general process ORS undertook in analyzing the Application as a whole; it is not testimony specific to plant analysis or rate base and it certainly does not identify any substantive findings.

If ORS wanted the Commission to be able to rely on its decisions then it needed to include more in the record than general references and proposed conclusions. As the record stands, ORS proposed adjustments to unspecified assets in various accounts and only presented Ms. Gearhart who stated that she excluded costs because they were "non-allowable," "adjustments from the previous case," or "undocumented." Ms. Gearheart did not provide any other testimony or analysis to support her adjustments. On the other hand, DIUC presented un rebutted evidence supporting the inclusion of all items of plant. Mr. Guastella explained:

In fact, itemized costs at specific amounts, by primary plant account and the year in service, are recorded on the DIUC's books, which certainly constitute "documentation". The ORS does not claim that the assets in question do not exist and are not used and useful, nor does it question the reasonableness of the amounts that it clearly observed from DIUC's records.

Hearing Transcript at 203 to 204.

The Commission's Order implicitly acknowledges this deficiency in the record by relying on solely on Rehearing Exhibit 8 (Audit Exhibit DFS-5) as showing the "specific items of plant." Order on Rehearing at 26. However, as explained, nowhere does the one-page Audit Exhibit DFS-5 identify a single specific item of plant – it only shows the NARUC plant "accounts" identified by a general "description." *See also* DIUC Reply to ORS Answer to Petition for Reconsideration at 2 to 5.

Finally, no matter how many times the testimony is cited by ORS and the POAs, the following quote from Mr. Guastella does not prove DIUC ever knew what items were included by Ms. Gearheart. Mr. Guastella testified, “ORS provided DIUC with work papers as a follow up to our audit exit conference call *that enable us to identify what we think are the specifics of its adjustments.*” Response at 3 (citing Hearing Transcript pp. 202-203). DIUC had to guess. Mr. Guastella was attempting to hypothesize as to what plant items he thought might be at issue. What a witness thought he might be able to identify from an unexplained ORS adjustment does not create an ample record to support a Commission finding and the Order should be amended accordingly.

In an effort to manufacture support for its position, the Response also attempts to reach back into the record of previous rate cases by making sweeping statements about what was and was not established in DIUC’s previous rate cases. As the Commission (and the POAs) are aware, those cases resolved by settlement, so there were no findings to resurrect for any purpose in this case. Rather than creating more distraction, the focus at this stage of the proceedings should be refinement of the three issues raised by the Petition for Reconsideration.

The POAs’ Response provides nothing new or substantial for consideration regarding depreciation and the discussion of rate case expenses likewise fails to advance the POAs’ position. Accordingly, DIUC respectfully asserts that it has provided more than sufficient grounds for an amended Order as requested in the Petition for Reconsideration.

Respectfully submitted,

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Charleston, South Carolina

CERTIFICATE OF SERVICE

This is to certify that on March 16, 2018, I caused to be served upon the counsel of record named below a copy of the foregoing **DIUC'S REPLY TO POAS' RESPONSE TO DIUC'S PETITION FOR RECONSIDERATION OF ORDER ON REHEARING**, by electronic mail, as indicated.

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